

AR06

BOW VALLEY BREWING CO.



FOR YEAR ENDING DECEMBER 31, 1994

Winspear Business Reference Room  
University of Alberta  
1-18 Business Building  
Edmonton, Alberta T6G 2R6



## CORPORATE OBJECTIVES

MAKE GREAT BEER  
FOR THE BENEFIT  
OF OUR CUSTOMERS

BE PROFITABLE  
FOR THE BENEFIT OF  
OUR SHAREHOLDERS

BE A GOOD  
CORPORATE CITIZEN  
FOR THE BENEFIT OF  
OUR COMMUNITY

HAVE FUN FOR  
THE BENEFIT OF ALL





## PRESIDENT'S MESSAGE

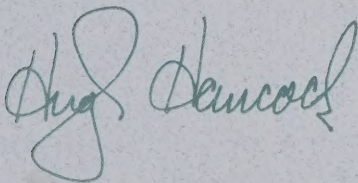
These are exciting times. The Bow Valley Brewing Company began as a dream in January 1993 and became a reality 29 months later with the successful launch of Bow Valley Premium Lager in April 1995 from Lake Louise to Calgary.

Construction commenced in May 1994 with site excavation and servicing. Brewing equipment installation started in September 1994 culminating in the start up of the brew house at midnight on January 30, 1995 and our first batch of beer. This event was the result of much planning, hard work, long hours and at times, blind faith by a group of dedicated people who believed in the dream.

The micro or craft brewing segment of the beer industry has enjoyed incredible growth in Canada over the last few years, driven primarily by changing consumption habits and customer demand. As this trend continues, the industry will become more competitive across the country and in Alberta particularly, due in part to the changing regulatory environment at the ALCB. Consequently our focus on product quality, consistency and service must be unwavering.

Strong support within our local market as evidenced by both investor interest and the early success of our product launch provides The Bow Valley Brewing Company with the basis for a strong future. All we need to do now is work hard and make great beer.

To all those who have supported us and continue to do so many thanks and GO BOW!!

A handwritten signature in dark ink, reading "Hugh Hancock". The signature is fluid and cursive, with the first name "Hugh" and last name "Hancock" clearly distinguishable.

Hugh Hancock, President

Canmore, April 1995



## FINANCIAL STATEMENTS

THE BOW VALLEY BREWING COMPANY LTD.  
FINANCIAL STATEMENTS  
DECEMBER 31, 1993 AND 1994

AUDITORS' REPORT

To the Shareholders of The Bow Valley Brewing Company Ltd.:

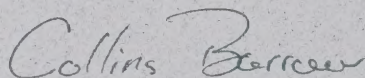
We have audited the balance sheet of The Bow Valley Brewing Company Ltd. as at December 31, 1993 and December 31, 1994 and the statement of cash flow for the periods then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1993 and December 31, 1994 and its cash flow for the periods then ended in accordance with generally accepted accounting principles.

Canmore, Alberta

March 10, 1995



CHARTERED ACCOUNTANTS



# FINANCIAL STATEMENTS

## THE BOW VALLEY BREWING COMPANY LTD. BALANCE SHEET AS AT DECEMBER 31, 1993 AND 1994

ASSETS	1994	1993
Current assets		
Cash	\$ 140,352	\$ 33,236
Term deposits	151,578	275,000
Accounts receivable	82,087	12,021
Inventory	32,928	—
	<u>406,945</u>	<u>320,257</u>
Capital assets (note 2)	1,109,520	77,968
Other assets (note 3)	50,805	3,594
	<u>\$ 1,567,270</u>	<u>\$ 401,819</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 167,169	\$ 9,631
SHAREHOLDERS' EQUITY		
Capital stock (note 4)	<u>1,400,101</u>	<u>392,188</u>
	<u>\$ 1,567,270</u>	<u>\$ 401,819</u>

Approved on behalf of the Board:

James Lawson, Director  
Hugh Penwick, Director



## FINANCIAL STATEMENTS

### THE BOW VALLEY BREWING COMPANY LTD. STATEMENT OF CASH FLOW FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993 AND YEAR ENDED DECEMBER 31, 1994

	1994	1993
Changes in cash related to		
Financing activities		
Issuance of capital stock	\$ 1,007,913	\$ 392,188
	<hr/>	<hr/>
Investing activities		
Acquisition of capital assets	(984,086)	(68,337)
Acquisition of other assets	(40,133)	(15,615)
	<hr/>	<hr/>
	(1,024,219)	(83,952)
	<hr/>	<hr/>
Cash inflow (outflow)	(16,306)	308,236
Cash and term deposits, beginning of period	308,236	—
	<hr/>	<hr/>
Cash and term deposits, end of period	\$ 291,930	\$ 308,236
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# FINANCIAL STATEMENTS

## THE BOW VALLEY BREWING COMPANY LTD. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 1993 AND 1994

The Company was incorporated under the Alberta Business Corporation Act on January 28, 1993.

### 1. Summary of significant accounting policies

#### a) Inventory

Inventory of raw materials is valued at the lower of cost or net realizable value.

#### b) Capital assets

Capital assets are recorded at cost and will be amortized over the estimated useful life of the assets using the following rates and methods:

Office furniture and equipment	20%	Declining balance
Automotive equipment	30%	Declining balance
Brewery equipment	15 years	Straight line
Leasehold improvements	10 years	Straight line

Amortization of capital assets will commence once construction is complete and the assets are put in use.

#### c) Product identification costs

The costs of developing brand names, trade marks and product identification are being capitalized until such time as commercial production commences.

### 2. Capital assets

The Company has capitalized all direct costs associated with obtaining the necessary licenses and building a micro brewery in Canmore, Alberta. Included in these costs are fees charged by related parties of \$ 23,720 at December 31, 1993 and \$ 145,604 at December 31, 1994 (see note 5).

	1994	1993
Office furniture and equipment	\$ 10,465	\$ —
Automotive equipment	9,818	—
Brewery equipment under construction	1,027,979	77,968
Leasehold improvements	61,258	—
	<u>\$ 1,109,520</u>	<u>\$ 77,968</u>

### 3. Other assets

	1994	1993
Deposits	\$ 32,400	\$ —
Deferred public offering costs	9,092	3,594
Product identification costs	9,313	—
	<u>\$ 50,805</u>	<u>\$ 3,594</u>



## FINANCIAL STATEMENTS

### THE BOW VALLEY BREWING COMPANY LTD. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 1993 AND 1994

#### 4. Capital stock

##### a) Authorized and issued

The authorized capital of the Company consists of an unlimited number of Class A common shares without par value. There are issued and outstanding 3,260,000 Class A common shares at December 31, 1993 and 7,260,000 Class common shares at December 31, 1994.

	1994	1993
Class A common shares issued	\$ 1,601,000	\$ 401,000
Less: share issue expenses	(200,899)	(8,812)
	<u>\$ 1,400,101</u>	<u>\$ 392,188</u>

During the year, the Company issued 4,000,000 shares at \$ 0.30 per common share for total cash consideration of \$ 1,200,000.

##### b) Options

On November 10, 1994, the Board of Directors approved a Stock Option Plan subject to approval by the shareholders of the Company at its next annual general meeting. These options allow certain officers and directors to acquire an aggregate of 250,000 common shares at an exercise price of \$ 1.00 per share when exercised. The options are for a three year period and expire on November 10, 1997.

The Company has granted to the agents from the initial public offering completed on May 12, 1994 a non-assignable option to purchase 400,000 common shares at \$ 0.30 per common share exercisable on or before November 12, 1995.

##### c) Escrow

As at December 31, 1994, 1,965,000 (December 31, 1993 - Nil) Class A common shares are held in escrow by the transfer agent for automatic release on a pro-rata basis as to 10% on January 19, 1995 and a further 30% on each of January 19, 1996, 1997 and 1998.

#### 5. Related party transactions

The Company paid \$ 145,604 (1993 - \$ 23,720) to a company controlled by a director for engineering, design services and equipment purchased for the construction of the brewery.



## FINANCIAL STATEMENTS

### THE BOW VALLEY BREWING COMPANY LTD. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 1993 AND 1994

#### 6. Income tax loss carryforward

The Company has a non-capital loss for income tax purposes of \$ 40,180. This loss may be applied against taxable income in the future until 2001

#### 7. Commitments

The Company has entered into a ten year lease for its business premises which expires July, 2004. The lease requires the Company to pay a base rent plus its share of operating costs and common area costs. Commencing in the fifth year of the lease and every year thereafter, the base rent will be increased for any upward change in the cost of living index for Calgary. The Company has provided a general security agreement pledging all assets of the Company as security for the payment and performance of all liabilities and obligations arising from the lease. The estimated annual lease payments for the next five years are as follows:

1995	\$ 83,644
1996	83,644
1997	83,644
1998	83,644
1999	83,644

#### 8. Subsequent event

The Company has entered into an agency agreement dated January 5, 1995 with Rogers & Partners Securities Inc. the "Agent" whereby the agent has agreed to sell, on a best efforts basis, a minimum of 500,000 and a maximum of 1,000,000 units of the Company at a price of \$ 0.75 per unit. The agent will be paid a commission of 10 percent per unit and an agency fee of \$ 5,000. Other issue costs are estimated to be \$ 30,000. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share at a price of \$ 1.00 within eighteen months following the applicable closing of the offering. The Company will also grant to the agent a non-assignable option to purchase that number of common shares equal to 10 percent of the number of units purchased, at \$ 0.75 per common share and is exercisable twenty-four months following the applicable closing date.

On February 28, 1995, the Company completed the first closing of its private placement for 565,000 units.



## SHAREHOLDER & CORPORATE INFORMATION

### THE BOW VALLEY BREWING COMPANY LTD.

#### DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

HUGH HANCOCK

President, Chief Executive Officer and Director  
Canmore, Alberta

JAMES LAWSON

Treasurer, Chief Financial Officer and Director  
Chartered Accountant  
Calgary, Alberta

BARRIE MILLER

Director, Engineering Consultant and President of Indcon Design Ltd.  
Edmonton, Alberta

ED SHENHER

Director, Partner with Shenher and Company  
Chartered Accountants  
Banff, Alberta

DON HEINZ

Director, President of Heinz Ford Mercury  
Canmore, Alberta

BRYON DICKIE

Senior Marketing Manager  
Director, Calgary Olympic Development Association (CODA)  
Calgary, Alberta

PETER PERRIN

Secretary and  
Independently Practicing Lawyer  
Canmore, Alberta

GORDON DEMANIUK

Brewmaster and Plant Manager  
Canmore, Alberta

#### CORPORATE OFFICES

Box 3308, #109 Boulder Crescent  
Canmore, Alberta T0L0M0  
Phone: (403) 678-BREW (2739)  
Fax: (403) 678-8813

#### REGISTRAR AND TRANSFER AGENT

The R-M Trust Company  
Calgary, Alberta

#### STOCK EXCHANGE

The Alberta Stock Exchange  
Trading Symbol 'BVB.A'

#### SOLICITORS

Atkinson Milvain, Barristers and Solicitors  
Calgary, Alberta



## SHAREHOLDER & CORPORATE INFORMATION

THE BOW VALLEY BREWING COMPANY LTD.

### INVESTMENT ADVISORS

Rogers & Partners Securities Inc.  
Calgary, Alberta

### AUDITORS

Collins Barrow, Chartered Accountants  
Canmore, Alberta

### BANKERS

Canadian Imperial Bank of Commerce  
Canmore, Alberta

### SHARES OUTSTANDING

TOTAL \$7,260,000

### PRICE RANGE PER SHARE

	<u>COMMON</u>		<u>VOLUME</u>
	HIGH	LOW	
1994	\$	\$	
2nd Quarter	0.89	0.30	1,110,850
3rd Quarter	0.92	0.52	482,000
4th Quarter	1.20	0.83	646,100
1995			
1st Quarter	0.91	0.70	532,500
TOTAL			<u>2,771,450</u>



*Brewed Naturally in the Canadian Rockies*



## The Bow Valley Brewing Co. Ltd.

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109 Boulder Crescent  
Canmore, Alberta  
T0L 0M0

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